

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS POWER AGENCY

Petition for Approval of the 220 ILCS 5/16-111.5(d)
Procurement Plan

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Docket No. 11-0660

**REPLY TO RESPONSES TO OBJECTIONS
OF THE ENVIRONMENTAL LAW & POLICY CENTER
AND THE VOTE SOLAR INITIATIVE**

The Environmental Law & Policy Center (ELPC) and the Vote Solar Initiative (Vote Solar) respectfully submit their Reply to Responses to Objections to the Illinois Power Agency’s 2012 Procurement Plan (“Reply”). ELPC and Vote Solar’s Reply focuses in particular on the IPA’s revised recommendation to “remove the distributed SREC proposal from the current Plan.” IPA Response at 11. It is important to recognize that while the IPA has withdrawn its proposal to “conduct a procurement” for distributed SRECs in the current planning year, the IPA “remains committed” to developing a distributed SREC procurement program through “detailed workshops” to be held during January 2012 through May 2012. Id. The Commission should approve the IPA’s proposal for a workshop process and should ensure that the workshops will result in a detailed distributed solar program proposal which can be included in the IPA’s 2013 procurement plan. The ICC should also provide the IPA with the flexibility necessary to meet the requirements of Illinois’ new distributed generation “carve-out” legislation, which will require 0.5% of the renewable energy resources procured by the IPA to come from “distributed renewable energy generation devices” by June 1, 2013. See SB 1652 Enrolled, passed October 26, 2011

A. No Party Objects to Workshops to Develop a Distributed Solar Program

As ELPC pointed out in its Response to Objections, most parties recognize the benefits of a well-balanced procurement strategy that includes distributed generation, even if they are uncomfortable with the level of specificity included in the IPA's Final Plan. See ExGen Objections at 10; ICEA Objections at 8-9; Solar Alliance Objections at 6; Staff Objections at 18-20; AG Response at 4-5; ELPC Response at 4; IREC Response at 4-8; ISEA Response at 2-5; Vote Solar Response at 1-2. There is also no serious dispute in this case that the IPA's procurement strategy to-date has functionally excluded distributed generation. See ELPC Response at 2; Staff Objections at 18. The only real dispute has been whether or not the ICC should approve the details of a distributed solar program now, or if it should wait until the IPA has further developed the program through a workshop process beginning in January 2012. Although ELPC and Vote Solar continue to believe it would be prudent to begin procuring distributed solar resources as soon as possible, we note that no party objected to a workshop process. Thus, at the very least the Commission should approve the IPA's proposal to conduct "detailed workshops" to evaluate and design a distributed solar program for inclusion in future plans.

B. The Commission Should Approve the IPA and Staff's Suggested Workshop Topics

The IPA's Final Plan included a number of topics for discussion in the workshop process, including:

- Definitions for "small" and "mid-size" distributed solar systems eligible to participate in the procurement;
- The terms and conditions under which distributed SREC providers would verify SREC deliveries;

- Administrative procedures that minimize transaction costs for participants and administrative burdens for the utilities and the IPA;
- A process for assessing program results, including the energy and capacity values of the distributed solar energy developed as a result of the program, and the benefits to the Illinois distribution grid;
- A process for modifying the program over time.

IPA Plan at 54. Staff added the following suggested workshop topics:

- Credit and security requirements for SREC suppliers;
- Whether eligibility will be limited to distributed solar PV facilities (a) within the buying utility's service territory, (b) within Illinois, (c) within either Illinois or a state that adjoins Illinois, or (d) elsewhere;
- The portion of the REC spending limit that would be dedicated to acquiring SRECs from distributed solar resources.

Without foreclosing the ability of the IPA to add other topics, the Commission should approve these suggested workshop topics in order to ensure that the workshop process is focused and will result in a distributed solar procurement program with the necessary details to support the Commission's review and approval in the 2013 procurement process.

C. The Commission Should Not Accept ComEd's Invitation to Issue an Advisory Opinion on the Legality of a Distributed Solar Program Before Such a Program is Developed.

In its Response to Objections, ComEd continues to argue that a separate distributed solar procurement would be "ill-founded and illegal." ComEd Response to Objections at 16-17. ComEd's legal objections are premature. See ELPC Response to Objections at 6-7. The Commission should not address ComEd's speculative legal objections to a future distributed solar program before the details of the program are developed and proposed. The Commission will have the opportunity to fully address legal objections raised by ComEd or any other party in next year's procurement case after the details of the program are developed through workshops.

Furthermore, to the extent that ComEd argues that any “preference” for distributed resources is illegal under Illinois law, that objection has been effectively mooted by the Illinois legislature’s enactment of a new distributed generation “carve-out” as discussed further below.

D. The Commission Should Provide the IPA With the Flexibility It Needs to Meet the New Distributed Generation “Carve-Out” in the IPA Act.

On October 26, 2011, the Illinois legislature enacted an amendment to the Illinois renewable resources portfolio standard to create a new distributed generation “carve-out”:

Of the renewable energy resources procured pursuant to this Section, at least the following percentages shall come from distributed renewable energy generation devices: 0.5% by June 1, 2013, 0.75% by June 1, 2014, and 1% by June 1, 2015 and thereafter. To the extent available, half of the renewable energy resources procured from distributed renewable energy generation shall come from devices of less than 25 kilowatts in nameplate capacity.

SB 1652 Enrolled, passed October 26, 2011 (amending Section 1-75(c) of the IPA Act). This statute will require the IPA to procure nearly 17,000 RECs from distributed generation resources by June 1, 2013. If procured entirely from solar, this would amount to nearly 13 MW of solar nameplate capacity, half of which would need to come from systems of less than 25 kW.

It is too early to predict how the IPA will need to prepare to comply with the distributed generation carve out. Therefore, the Commission should provide the IPA with sufficient flexibility to administer its 2012 procurement in a way that helps it prepare for this new compliance obligation. This could include, for example, the ability to administer a pilot program in 2012 for the procurement of distributed SRECs, if the IPA determines that is necessary to prepare for a full-scale program in 2013.

E. Conclusion and Replacement Language

Although the IPA has withdrawn its proposal to conduct a distributed solar procurement by December 2012, it “remains committed” to a workshop process to develop a solar program that can be included in future procurement plans. In order to ensure the workshop process is successful and provides the flexibility necessary for the IPA to meet the new distribution generation “carve-out” legislation, the Commission should approve the IPA’s proposal with the following edits at page 53 of the Final IPA Plan:

Distributed SRECs Solar Resources. The IPA shall design ~~the a~~ procurement program for small and mid-size distributed SRECs solar resources ~~between January – May 2012, announce the program in June 2012 and include a detailed description of the proposed program in the 2013 Draft Procurement Plan~~ initiate the first procurement event by December 2012. The procurement program will be designed to enable the Utilities to sign long-term (at least 10-year) contracts for solar energy and/or SRECs from distributed solar systems in Illinois at competitive, cost-effective prices ~~that are competitive with the average SREC clearing price from the procurement process described above~~. The IPA will consider at least the following broad program types:

(1) A fixed price, long-term, standard offer contract program; ~~in which initial contract prices are based on the auction clearing prices for SRECs from the IPA's Spring 2012 auction, and contract price offers are adjusted over time to track the market;~~

(2) An auction for long-term ~~SREC~~ contracts in which participation is limited to developers and aggregators of solar resources SRECs from ~~multiple~~ small and mid-size distributed solar systems. ~~in Illinois.~~

In order to design ~~and announce~~ the distributed SREC solar resource procurement program, ~~by June 2012 and initiate the first procurement event by December 2012,~~ the IPA will host a series of workshops between January - May 2012. IPA will invite input from the public, including policy experts and solar industry stakeholders to address major program design features and other issues, including but not limited to:

- Definitions for “small” and “mid-size” distributed solar systems eligible to participate in the procurement;
- The terms and conditions under which distributed SREC providers would verify SREC deliveries;
- The portion of the REC spending limit that would be dedicated to the distributed solar program;
- Appropriate credit and security requirements for SREC suppliers;
- Administrative procedures that minimize transaction costs for participants and administrative burdens for the utilities and the IPA;

- A process for assessing program results, including the energy and capacity values of the distributed solar energy developed as a result of the program, and the benefits to the Illinois distribution grid;
- A process for modifying the program over time.

In addition, in coordination with workshop participants, the IPA will design and commence a study to investigate the potential energy and operational benefits of distributed solar generation for the Illinois electric grid and Illinois consumers. This study and a summary of workshop activities shall be filed with the ICC's Draft 2013 Procurement Plan in August 2012.

Finally, the IPA will consider initiating a solar pilot program for implementation during the 2012 Plan Year to enable the IPA, solar suppliers, and utilities to gain experience and prepare for full program implementation in the 2013 Plan Year.

~~For purposes of this Plan, "distributed SREC" is intended to mean the renewable energy credit associated with the output of a solar PV system interconnected to the electric distribution system in Illinois and located on the customer's side of the electric meter.~~

Dated: October 28, 2011

Respectfully submitted,



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NOTICE OF FILING

To: (attached service list):

Please take note that on October 28, 2011, I submitted the above REPLY TO RESPONSE TO OBJECTIONS OF THE ENVIRONMENTAL LAW & POLICY CENTER AND THE VOTE SOLAR INITIATIVE for filing in the above-captioned matter, via e-Docket, with the Clerk of the Illinois Commerce Commission.




Brad Klein
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CERTIFICATE OF SERVICE

I, Brad Klein, hereby certify that I served on October 28, 2011 the attached REPLY TO RESPONSE TO OBJECTIONS OF THE ENVIRONMENTAL LAW & POLICY CENTER AND THE VOTE SOLAR INITIATIVE upon all active parties of record identified on the included service list electronically via e-mail. Paper copies will be provided upon request.

Respectfully submitted,


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